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SUBJECT: GOB INCREASES ELECTRICITY AND WATER PRICES

11. SUMMARY: On July 2, 2009, the Directors General of the two parastatals Benin Electricity Corporation (SBEE) and Benin National Water Corporation (SONEB) held a joint press conference to announce the increase of electricity and water prices, effective July 2009. The electricity price has gone up by 15%. The water price has increased by 9% per cubic meter for the second tranche and 58% for the third tranche of consumption. The two directors explained that the price increase is necessary to prevent the bankruptcy of their respective companies and to assure better quality services. In addition, Minister Sacca Lafia, the Minister of Energy and Water, said the electricity price increase was dictated to SBEE and its Togolese counterpart by the Electricity Community of Benin (CEB), an electricity provider to Benin and Togo. The price increase was a blow to Beninese consumers because it comes amidst power cuts and water supply shortages and heavy rain on the southern regions of the country. END SUMMARY.

22. Godfroy Chekete, the newly appointed Director General of SBEE, announced an average increase of 15 CFA Francs (0.3 cent) on the Kilowatt hour (KWH) of electricity following the increase of 5 Francs CFA by its supplier, CEB. The SBEE's 15 Francs CFA increase is intended to meet the cost of increased rural electrification (3 Francs CFA), to adjust to CEB's price increase (5 Francs CFA) and to help SBEE improve its financial situation and replace some of its faulty electrical equipment. Chekete declared that the GOB should have appointed him to file a bankruptcy petition for the company. He said the company's debts have reached an unmanageable level. He was seconded by the Minister of Energy and Water who mentioned that CEB dictated the price increase to SBEE. He stated that the grant of 70 billion CFA Francs (USD 150 million) the GOB pumped into SBEE in late 2006 was not enough to balance the books. It was high time that the company charged the market price, he underlined.

33. As he assumed office, Chekete warned the public that if SBEE did not settle its outstanding debts to CEB amounting to CFA Francs 14.2 billion (USD 30.2 million) the country might experience a total blackout. He added that the bloated payroll of the company was also a problem. He deplored that the administrative employees constituted the majority of SBEE staff to the detriment of technicians. Chekete also complained that the company did not have the required stock of meters and other electric material to meet the twenty thousand requests for electrical connection still unfulfilled.

44. Another difficulty crippling the company's budget is the huge cost of electricity production by the thermal plants SBEE acquired to fill the gap of power triggered by the reduction of energy supply from Ghana and Nigeria. Chekete noted that the spare parts to maintain the plants were prohibitively expensive. SBEE could not continue to sell electricity at 18 cents per KWH when production cost 22 cents, he underlined.

55. The Director General of SONEB, Karim Assouma, announced an increase in water services, passing from CFA Francs 415 (88 cents) to 453 (96 cents) for the second tranche, and 415 (88 cents) to 658 (USD 1.4) for the third tranche per cubic meter. Assouma noted that the price freeze in 2002 led to the current price being 13 cents lower per cubic meter than cost. He also added that the company needed to invest CFA Francs 100 billion (about USD 212 million) in

the extension of the water supply network.

¶16. The increase in electricity and water prices was announced in a period where the population was experiencing intermittent power cuts and more particularly a total cut of water supply in the neighborhoods located in Western Cotonou. Chekete explained that the electricity cuts were caused by the heavy down pour of last June on the southern part of the country and the theft of electric cables by thieves. Assouma explained that SONEB stopped the supply of water because the water pumping plant that supplies the West side of Cotonou was flooded. It was necessary to turn off the water to avoid contamination or electrocution while repairs are made.

¶17. The President of the Benin League for Consumers' Defense (Ligue pour la Defense du Consommateur du Benin, LDCB), Romain Houehou condemned the unilateral decision by the two companies to increase their tariffs. He also denounced the untimely cuts of electricity and water, and the suffering endured by the subscribers who have to queue for hours to pay their bills.

¶18. COMMENT: Benin's dependence on electricity imports from Ghana and Nigeria affects the regular supply of electricity in the country. Bad management and subsidized tariffs below cost are also a problem. Benin's efforts to create alternative sources of power led to the award of a contract to supply an 80 MW gas turbine to a U.S company in 2007. The equipment for this turbine plant has not yet been shipped to Benin. The water situation is not as severe as the lack of power. The increase of water and electricity tariffs was expected following the increase of salaries to civil servants and payment of bonuses to health workers. SONEB and SBEE are expected to use increased revenue to pay off their debts first. END COMMENT.

BOUSTANI